

## Message Text

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PAGE 01 KUWAIT 05446 221115Z

12

ACTION NEA-10

INFO OCT-01 AF-04 ISO-00 XMB-02 TRSE-00 EB-07 COME-00

CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02 NSAE-00 NSC-05

PA-01 RSC-01 PRS-01 SP-02 SS-15 USIA-06 AID-05 /071 W

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R 221002Z DEC 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1788

INFO AMEMBASSY CAIRO

AMEMBASSY KHARTOUM

AMEMBASSY TUNIS

AMEMBASSY RABAT

AMEMBASSY JIDDA

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STATE PASS EXIM AND TREASURY

E.O. 11652: N/A

TAGS: EINV, EFIN, EAID, KU

SUBJECT: KUWAIT INVESTMENT COMPANY--CONCENTRATES ON ARAB WORLD  
INVESTMENTS

REF: (A) KUWAIT 4794 (B) KUWAIT 5280

1. TALK KUWAIT INVESTMENT CO. MANAGING DIRECTOR, BADR AL-DAUD  
HAD RECENTLY WITH TEXAS TRADE MISSION GAVE EMBOFF OPPORRUTITY  
LEARN OF KIC INVESTMENT ATTITUDES TOWARDS EGYPT IN WAKE LARGE  
FINANCIAL COMMITMENTS KUWAIT MADE TO EGYPTIAN PM HEGAZI DURING  
HIS RECENT VISIT HERE. KIC, WHICH 50 PERCENT PUBLIC AND 50  
PERCENT PRIVATE, IS OFTEN USED AS AN INVESTMENT CONDUIT BY GOK.

2. THRUST OF DAUD'S REMARKS WERE THAT KIC HAS ENOUGH INVESTMENTS  
IN US AT PRESENT AND NEEDED TIME TO DEVELOP AND EVALUATE THEIR  
RETURN BEFORE MAKING ANY NEW MAJOR COMMITMENTS. HE SAID IN COMING  
YEAR COMPANY WOULD CONCENTRATE ON ARAB WORLD WITH SPECIAL EM-  
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PAGE 02 KUWAIT 05446 221115Z

PHASIS ON EGYPT. HE ALSO MENTIONED TUNISIA AS OFFERING GREAT

POSSIBILITIES, ESPECIALLY IN AREA OF TOURISM DEVELOPMENT, AND GAVE MOROCCO AND SUDAN AS OTHER POSSIBILITIES. HE WAS PARTICULARLY INTERESTED IN PRESENTATION MADE BY MISSION MEMBER WHO WISHED ESTABLISH SANITARY-WARE FACTORY IN ONE OF EGYPT'S PROPOSED FREE ZONES. SAID THIS EXACTLY TYPE OF PROJECT WHICH THEY WERE LOOKING FOR--ESPECIALLY SINCE IT HAD GOOD EXPORT POTENTIAL. (IN LATER MEETING WITH THIS MISSION MEMBER, KIC MADE TENTATIVE COMMITMENT TO TAKE EQUITY POSITION IN PROJECT ACCORDING MISSION MEMBER). HE SAID KIC WOULD WELCOME CHANCE TO DISCUSS INVESTMENTS IN ANY VIABLE MANUFACTURING OPERATION IN EGYPT. WHEN PRESSED FURTHER ABOUT US INVESTMENTS, HE CLAIMED INVESTMENTS IN DEVELOPING COUNTRIES YIELDED MUCH HIGHER RETURNS, PROVIDED OF COURSE THE POLITICAL CLIMATE WAS FAVORABLE TO PRIVATE INVESTMENT AND REPATRIATION OF PROFIT. HE CITED 30 PERCENT ANNUAL RETURN AS A REASONABLE GOAL FOR DEVELOPING COUNTRY INVESTMENTS.

3. COMMENT: FOLLOWING MEETING WITH DAUD, KNOWLEDGEABLE SOURCE CONFIRMED TO EMBOFF THAT BOTH DAUD AND KIC DIRECTOR AND KUWAIT FUND MANAGER, ADULLATIF AL-HAMAD HARD AT WORK TRYING TO IDENTIFY PROJECTS IN EGYPT WHICH COULD GIVE SUBSTANCE TO KUWAITI PLEDGES OF AID. CONSISTENT WITH ASSESSMENT HEGAZI VISIT CONTAINED REF B, BELIEVE THIS REFLECTS SHIFT FROM SITUATION PRIOR TO HEGAZI VISIT WHEN IT APPEARED THAT, AT LEAST, PRIVATE KUWAITI INVESTORS AND TO SOME EXTENT JOINT-SECTOR COMPANIES IN WHICH GOK HAD STRONG INTERESTS WERE ONLY LUKEWARM TO EGYPT BECAUSE OF REDTAPE AND UNCERTAINTY OF EGYPTIAN COMMITMENTS TO LIBERALIZATION. THUS WE NOW HAVE ADDITIONAL EVIDENCE THAT HEGAZI'S VISIT WAS FROM EGYPTIAN VIEWPOINT AN ECONOMIC SUCCESS AND HAS HOPEFULLY PRODDED GOK TO DO MORE TO SPEED UP KUWAITI INVESTMENT IN EGYPT'S ECONOMY.  
STOLTZFUS

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